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29 FEB 1980

MEMORANDUM FOR: Director of Logistics

VIA: Inspector General *es*

FROM:
Chief, Audit Staff

SUBJECT: Report of Audit, Supply Division
For the Period 1 November 1976 -
31 August 1979

1. Subject report is attached. Please advise me of the action taken on recommendations made in the report.

2. We appreciate the cooperation and assistance provided by your staff during the audit.



Attachment:
As stated

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REPORT OF AUDIT
Office of Logistics
Supply Division

For the Period
1 November 1976 - 31 August 1979

SUMMARY

1. The functions of Supply Division are conducted in a competent and professional manner. Division personnel are dedicated and responsive to the needs of the Agency.

2. Financial and property administration is generally effective and in conformance with applicable regulations and directives. However, some controls and procedures should be strengthened.

3. The use of automatic data processing is essential to the Office of Logistics and to Supply Division. Several computer applications support the mission of the division. These systems have thus far provided adequate support, but new systems with expanded capabilities are being designed to accommodate growing future needs.

4. Prior audit recommendations have been satisfactorily resolved. This report contains comments and recommendations regarding:



SCOPE OF AUDIT

5. The audit included a review of administrative functions to evaluate the effectiveness of controls and procedures and to assure compliance with Agency regulations. Financial and logistical transactions were tested to determine whether documentation, approvals and certifications were in accordance with applicable accounting and reporting requirements and to ensure that expenditures were within the scope of authorized activities.

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6. Site audits of the [redacted] were conducted. The audit of the [redacted] covers the period 1 February 1975 to 30 November 1979.

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7. Automatic data processing applications were examined in detail. Included in this review were the Inventory Control System and the Federal Automated Requisitioning System. Conclusions reached concerning this aspect of the audit are presented in a separate report.

BACKGROUND

8. Supply Division, in conjunction with other Agency components, is responsible for determining materiel requirements, managing stock levels and replenishing stock. The division manages the receipt, storage, issue, transportation and disposal of materiel

X1

9. Supply Division has a personnel complement of [redacted] employees. The Division's Fiscal Year 1979 allotment, including property requisitioning authority, was distributed as follows:

X9

Million

X1

[redacted]

[redacted]

25

Transportation of Cargo

Supply Division Headquarters

10. Expenditures during the 34 month audit period totaled [redacted] excluding personnel compensation and benefits, which are audited and reported upon separately.

X1

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X1 []

X1 11. [] is effectively conducting its functions of receiving, storing, packing, issuing, and transporting of supplies. However, certain areas of [] operations should be strengthened. These include control over accountable property, establishment of realistic delivery dates, and storage of potentially dangerous chemicals.

Control Over Accountable Property

12. Improvements in the administration of the [] Type II property account have been made by the recently assigned accountable officer, but deficiencies still exist. 25X

13. Document control files were not complete, nor were they properly maintained. The majority of documents to support 1977 accountable property transactions could not be located, and five such documents for 1978 were missing. Transactions affecting accountability had in some cases not been recorded on the materiel record cards. ✓

X1 Recommendation #1: Maintain records for accountable property in conformance with the provisions of Headquarters Handbook []

14. Documentation supporting acquisitions and disposal of nonexpendable property was not in some cases forwarded to the accountable officer. Acquisition documents were occasionally retained in the branch which initiated the requisition.

Recommendation #2: Ensure that the accountable officer receives documentation for transactions affecting non-expendable property.

X1 15. Property acquired from excess listings is not being recorded on [] accountable records. Included in such acquisitions are nonexpendable and personal appeal items. The majority of this property was obtained at no cost, but regulations require that a fair market value be assigned and that items valued at \$300 or more be included in accountable records. ✓

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Recommendation #3: Record in accountable records nonexpendable property acquired from excess listings.

Delivery Dates

16. Field installations are establishing unrealistic required delivery dates for materiel. The required delivery date had not been met on any of a sample of 74 requisitions reviewed. Some requests were for delivery within a week, which is not possible under normal processing procedures. In addition, there is often no apparent need for such rapid delivery. Attempts to meet these unrealistic delivery dates result in frequent use of the most expensive transportation method.

Recommendation #4: Advise field installations to establish realistic delivery dates to ensure use of the most economical method of transportation.

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- The Depot stock account consists of vehicles provided at no cost by [] and supplies funded by the Agency to support []

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- The Agency Type II account consists of nonexpendable Agency property in use. The Depot stock and Type II accounts are managed by []

- In addition, there is a consolidated memorandum receipt (CMR) for property on loan from the Office of Communications.

19. [] operations are effectively conducted, but improvements are needed in some areas. Observations and recommendations regarding property procedures and retirement of records are presented in the following paragraphs.

Property Procedures

20. Some property controls and procedures exceed regulatory requirements and others need strengthening.

21. A number of unnecessary steps were being taken in maintaining the Type II account. Excessive procedures included: monthly reconciliation of materiel record cards, property control register, and consolidated memorandum receipts (CMR); preparation of all purpose property transaction records (1330's) in triplicate for the majority of transactions; obtaining the signatures of both the accountable officer and Chief of Depot on all 1330's; and preparation of monthly recap sheets for the various CMR's. A reduction of recordkeeping would make personnel available for other duties.

Recommendation #6: Limit Type II recordkeeping and procedural steps to the requirements of Headquarters Handbook []

22. [] has nonexpendable Agency property in depot stock which is not recorded on Type II records. This property consists of items locally procured or property obtained from excess listing. Locally procured non-expendable items should be recorded at cost. Nonexpendable items acquired from excess listing should be assigned a fair market value and recorded on Type II records.

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Recommendation #7: Ensure that all nonexpendable Agency property in depot stock is recorded on Type II records.

23. Expendable supplies are subject to extensive controls and recordkeeping. For example, two sets of record cards are maintained for these items (bin cards and materiel records). About 80% of transactions involving depot stock are for expendables such as office supplies. Savings in time and paperwork could be realized if records for these materials were eliminated and an open self-service type of supply operation were instituted. A periodic visual inspection of stocks would be an adequate means of determining the need for reorders.

Recommendation #8: Eliminate records for expendable supplies and establish a self-service system for supplying ☐ offices.

Records Purge

24. With the exception of some working files, ☐ records have not been purged since June 1969. This is not in reference to weapons records, which must be retained for 25 years. Unneeded records require an inordinate amount of storage space and handling.

Recommendation #9: Retire or destroy unneeded records as appropriate.

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